



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

June 30, 2009

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To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name of the Chief Executive Officer.

SACRAMENTO UPDATE

This memorandum includes an update on the State Budget, information on the California State Association of Counties (CSAC) call for advocacy on the State Budget, and an overview of alternative health and social services budget proposals announced by the Governor over the weekend.

State Budget Update

The Senate met yesterday to debate and vote on various budget-related bills in an attempt to avoid the issuance of registered warrants (IOUs) on July 2, 2009, by the State Controller, as a result of the State's cash flow crisis. Senate President pro Tempore Darrell Steinberg warned Republican Members that the clock is ticking, and urged them to vote for a bill which would save the State \$3 billion by reducing education expenditures in FY 2008-09. He criticized the Senate Republicans for not coming up with any plan to close the budget gap and for continuing to object to the Democrats' proposed solutions.

The Senate reconvened late in the evening to secure the necessary two-thirds vote required to pass SB 64, SB 74, and SB 80 which would help address the State's immediate cash flow problem. All three bills were passed by the Assembly last week with votes in excess of the two-thirds requirement. If enacted, they will provide some relief to the State's cash problem, and prevent the State Controller from issuing IOUs. However, the bills failed to garner any Republican votes in the Senate for the second time since last Thursday.

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The three bills which would achieve approximately \$5.3 billion in savings for the State include:

SB 64 (Committee on Budget and Fiscal Review), which would generate \$3 billion in State General Fund savings in FY 2008-09 by reducing funding for K-12 schools and higher education. This measure was again defeated on a vote of 21 to 15. After the bill failed, the Senate rule was waived and reconsideration was granted.

SB 74 (Committee on Budget and Fiscal Review), which would provide approximately \$2 billion in cash deferrals in FY 2008-09 for Proposition 42, K-12 schools and higher education payments. This measure would defer \$288 million in Proposition 42 allocation payments to cities and counties for October 2009 and January 2010 with full repayment by May 31, 2010. This bill was also defeated again on a vote of 23 to 14. The Senate rule was waived and reconsideration was granted.

SB 80 (Committee on Budget and Fiscal Review), which would shift \$350 million from Redevelopment Agencies (RDAs) to Educational Revenue Augmentation Funds in FY 2008-09. This measure failed on a vote of 24 to 14. The Senate rule was waived and reconsideration was granted.

Senator Steinberg cancelled all of today's hearings in the Senate, and told his house that he is not giving up on the possibility that an agreement can be reached in time to prevent the issuance of IOUs.

California State Association of Counties Call for Action

As this evening's budget deadline approaches, which could result in the State Controller issuing IOUs on July 2, 2009, if the Governor and the Legislature do not approve solutions to address the State's cash flow crisis before the end of the fiscal year, CSAC is urging counties to contact their respective Legislative delegations to inform them of the devastating cumulative effects of the proposed budget actions to counties.

Specifically, CSAC is requesting that counties advocate for the following solutions to avoid some of these consequences.

1. Passage of SB 64, SB 74, and SB 80 which would provide an estimated \$5.3 billion in savings to the State General Fund to avoid the issuance of IOUs.
The County does not have policy to support these bills.

2. Approval of a proposal that, in lieu of taking the local share of gasoline taxes Highway User Tax Account, would either: A) pass a five-cent increase to gasoline tax for debt service; or B) securitize the State's share of gasoline taxes and dedicate funds to debt service. **On June 23, 2009, the Board approved a motion to support the CSAC proposal, with some caveats, for a five-cent increase in the gasoline tax as an alternative to the State taking counties' and cities' gasoline tax revenues, and directed the Sacramento advocates to convey and pursue the Board's position to the Governor, the Los Angeles County Legislative Delegation, and the California State Association of Counties.**
3. Request that if the suspension of the Protection of Local Government Revenues Act of 2004 (Proposition 1A) is considered, the State should provide counties guaranteed, iron-clad repayment provisions. **As reported in the May 15, 2009 Sacramento Update, consistent with advocacy efforts on recommendations included in the Governor's FY 2009-10 Budget proposals and existing Board policy, the Sacramento advocates opposed the suspension of Proposition 1A.**

Consistent with existing Board policy and County positions, the Sacramento advocates will work with CSAC and others to advocate for solutions to avoid some of the negative consequences counties are facing.

New Alternative Budget Proposals Released by the Governor

According to media reports, the Governor has backed off his proposal to eliminate the CalWORKs Program, and instead announced a number of alternative budget proposals to the CalWORKs, In-Home Supportive Services (IHSS), Medi-Cal, and Food Stamp programs. Specific details are not available; however, based on press releases issued by the Administration the proposals are as follows:

CalWORKs Reforms. The Governor indicates the following reforms will allow the CalWORKs Program to continue to serve California's neediest residents while reducing costs and putting recipients on the path to self-sufficiency. The proposal would:

- provide CalWORKs assistance only to recipients fully meeting the Federal work participation requirements;
- limit CalWORKs assistance from five years to two years and continue benefits for families beyond the two-year time limit only if they meet the Federal work requirements;

- establish a face-to-face review every six months for recipients not meeting the work requirements;
- revise the current sanction process to encourage work participation; and
- reduce CalWORKs grants by 6 percent.

IHSS Fraud Reduction. The Governor indicates that the proposal would address fraud and ensure greater savings and cost containment in the IHSS program. The proposal would:

- expand the May Revision anti-fraud proposal to include fingerprinting and background checks for all IHSS providers and fingerprinting of recipients to detect and deter multiple-aid fraud;
- make unannounced home visits;
- provide fraud training for County staff;
- establish targeted mailings for suspected providers;
- require face-to-face enrollment of IHSS providers and completion of an acknowledgement of service delivery;
- prohibit the use of post office boxes to mail IHSS provider checks;
- allow counties to share restitution for successful fraud prosecution; and
- increase data matching with jail, death, and other records to eliminate fraud.

Medi-Cal Reforms. The Governor proposes a series of solutions to ensure California's health program for low-income, elderly, and disabled persons remains viable. The Administration indicates the restructuring proposals will modernize enrollment, improve care coordination, and stabilize California's safety net hospitals. The proposal would:

- secure Federal authority and funding to implement managed care or a medical home model for seniors and persons with disabilities, beneficiaries dually in Medi-Cal and Medicare, children with significant medical needs, and integrate physical and behavior health services into managed care; and

- enact a 5 percent provider fee on hospitals to provide additional funding for the State General Fund and California's safety net hospitals.

On-Line Eligibility Determination. The Governor proposes to shift eligibility determination for CalWORKs, Medi-Cal, and Food Stamp applications from a face-to-face or mail-in process to an on-line process. The Governor indicates that currently, more than 27,000 individuals in 58 counties process CalWORKs, Medi-Cal, and Food Stamp applications and that "modernizing this antiquated process will reduce costs and improve access." The Governor estimates that implementation of on-line eligibility would occur over 36 months, but could begin earlier for some programs, such as enrollment of children in Medi-Cal.

This office is working with the affected departments to determine the impact of these proposals to the County.

We will continue to keep you advised.

WTF:GK
DW/MR:IGEA:sb

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants